THE FITZPATRICK GROUP

We should carefully consider the real math behind traditional financial planning. For example, you currently have no idea what tax rate you will pay on your 401(k) distributions and/or IRA distributions. What you do know is that you want to make more money in the future, and you probably assume that your tax bracket will likely increase over time. Both scenarios will impact your taxable retirement accounts, and yet you blindly defer your tax bill because you haven't been educated on the real math. Taxes and fees are eroding your retirement.

The *Retail Portfolio*: IRAs, 401(k), brokerage account, pensions, real estate, and social security. Some combination of this basic portfolio encompasses 90% of Americans. Here is what we typically fail to realize:

- Distributions out of the IRA are taxed as ordinary income.
- Distributions out of the 401(k) are taxed as ordinary income.
- Distributions out of the non-qualified brokerage account are taxed as capital gains long or short.
- Your pension is taxed as ordinary income.
- Rental income from real estate is taxed as ordinary income.
- The appreciation of the real estate is taxed as a long- or short-term capital gain.

Now here's the kicker, if you show income from these sources, you are means tested, and the IRS will double tax up to 85% of your social security as ordinary income. Remember, you want your income to go up in the future. You also believe that taxes will go up in the future. Ask yourself, if taxes go up, what happens to the value of your market-based taxable portfolio?

The *Ideal Portfolio*: Involves several assets and tax codes working together to avoid tax liability in the future. The portfolio can be completely tax exempt and/or tax free and does not report on means testing, which means all of your social security can be tax free. By simply avoiding unnecessary market volatility, unnecessary fee-based advisory, and the IRS, you can significantly increase the output of your retirement using the exact same amount of money. This strategy is not new. In fact, it is all around you. You will see it on the backbone of large banks and large corporations. It will be referred to as golden parachutes and golden handcuffs or OPEB (Other Post-Employment Benefits). These concepts refer to a strategy that the wealthy use to control their tax liability. Ask yourself: what is that individual doing with their money that you are not? Chances are they have the *Ideal Portfolio*.

We don't only work with the wealthy; our ambition is to educate as many people as possible about these tax efficient strategies. Working Americans are constantly getting stuck with the tax bill for reckless government spending. What tax bracket will you be in during your retirement? Do you have confidence in our system that your taxes will decrease? We can help you understand the real math and help you keep your money as efficient as possible.